

Message Text

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ACTION IO-14

INFO OCT-01 AF-10 ARA-16 EA-11 EUR-25 NEA-10 RSC-01 ISO-00

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TO SECSTATE WASHDC 3866

INFO AMEMBASSY LONDON

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EO 11652: N/A

TAGS: EFIN, AORG, UN

SUBJECT: UN FINANCES - RESULTS OF WORKING GROUP ON CURRENCY
INSTABILITY

REF: USUN 1571 (NOTAL)

1. WG CONCLUDED APRIL 26 ITS CONSIDERATION OF ALTERNATIVE
SOLUTIONS TO DIFFICULTIES RESULTING FROM EFFECT OF CURRENCY
INSTABILITY AND INFLATION ON BUDGETS OF UN ORGANIZATIONS.
DRAFTING SESSIONS ON FINAL LANGUAGE OF REPORT DUE TO TAKE
PLACE IN SEPTEMBER WILL DOUBTLESS GIVE RISE TO FURTHER
DISAGREEMENT BUT IN GENERAL RESULTS OF THESE MEETINGS WERE
POSITIVE FROM POINT OF VIEW OF US INTERESTS.

2. AGREEMENT SEEMS TO HAVE BEEN REACHED TO KEEP TO CURRENT
SYSTEM I.E., ABSORPTION OF INCREASES AS MUCH AS POSSIBLE
WITHIN BUDGET AND RESORT TO SUPPLEMENTALS WHEN ABSOLUTELY
NECESSARY. WG DEVOTED CONSIDERABLE TIME TO QUESTIONS OF
IMPROVED FINANCIAL MANAGEMENT BY SECRETARIAT (USE OF BLEND OF
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SPOT AND FORWARD MARKET OPERATIONS, KEEPING OF HIGH YIELD

DEPOSITS IN SAFE CURRENCIES, ETC.)

3. GENERALLY FAVORABLE OUTCOME OF DISCUSSION WAS LARGELY DUE TO IMPROVED SITUATION OF DOLLAR DURING PAST SIX MONTHS. SOVIETS ATTEMPTED WITHOUT ENTHUSIASM TO KEEP ALIVE ACABQ SUGGESTION THAT DUAL CURRENCY SYSTEM MIGHT BE APPLIED BUT ATTITUDE OF SWISS GOVERNMENT COMBINED WITH OPPOSITION EVEN FROM CUBAN REP WEAKENED ANY SUPPORT FOR THIS PROPOSAL. MORE FARFETCHED IDEA OF ASSIGNING RESPONSIBILITY TO HOST COUNTRY OR DEVELOPED COUNTRIES FOR INFLATION AND CURRENCY INSTABILITY WHICH WAS ALSO PUSHED BY CUBAN AND SOVIET WAS ACCEPTED FOR WHAT IT WAS -- POLEMIC EXERCISE. WE SHOULD EXPECT FURTHER ATTEMPT BY EAST EUROPEANS TO INCLUDE REFERENCES IN REPORT TO INVESTMENT PRACTICES OF PENSION FUND EVEN IF THIS IS SUBJECT CLEARLY NOT WITHIN MANDATE OF WG.

4. MOST MEETINGS OF WG WERE DOMINATED BY EAST-WEST DEBATE. TECHNICAL NATURE OF SUBJECT AND INDIFFERENT LDC PARTICIPATION LIMITED CONTRIBUTIONS BY NON-ALIGNED. EVEN INDIANS WHO HAD PUSHED QTE NUMERAIRE UNQTE OR UNIT OF ACCOUNT IDEA IN FIFTH COMMITTEE AT 28TH GA DID NOT PURSUE IT IN WG.

5. UNLESS WE ARE PRESENTED WITH SOME NEW SURPRISES DURING DRAFTING SESSION IN SEPTEMBER, WE CAN CONSIDER OUTCOME OF WG EFFORTS TO HAVE BEEN FAVORABLE IN THAT UN IS NOT MOVING AND WILL NOT MOVE AWAY FROM DOLLAR AS UNIT OF ACCOUNTING AND ASSESSMENT.

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